

## REFeree's REVIEW

<b>Program:</b>	Master in Corporate Finance
<b>Student:</b>	Andrei Vedernikov
<b>Title of thesis:</b>	Valuing synergies in strategic acquisitions using real options

<b>Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis.</b> Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.	<b>5</b>	4	3	2
<b>Structure and logic of the text flow.</b> Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.	<b>5</b>	4	3	2
<b>Quality of analytical approach and quality of offered solution to the research objectives.</b> Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.	<b>5</b>	4	3	2
<b>Quality of data gathering and description.</b> Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.	<b>5</b>	4	3	2
<b>Scientific aspect of the thesis.</b> Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.	<b>5</b>	4	3	2
<b>Practical/applied nature of research.</b> Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.	5	<b>4</b>	3	2
<b>Quality of thesis layout.</b> Layout fulfils the requirements of the Regulations for master thesis preparation and defense, correct layout of tables, figures, references.	<b>5</b>	4	3	2

Each item above is evaluated on the following scale, as applicable: 5 = the thesis meets all the requirements, 4 = the thesis meets almost all the requirements, 3 = a lot of the requirements are not met in the thesis, 2 = the thesis does not meet the requirements.

### Additional comments:

*The reviewed thesis discusses application of real options methodology to evaluate synergies associated to mergers in different industries. In the first chapter the author gives a comprehensive review of M&A performance problems, synergies associated to mergers and real option valuation techniques. The only minor omission in perfect logic of this text flow is transition from M&A discussion to real option valuation: a short passage on real options basics would have helped to amend it.*

*Second chapter covers valuation model assumptions and describes the model itself, as well as the software developed to facilitate the output production. It covers the model mechanics and demonstrates how proposed solution relates to and amends limitations of existing ones.*

*The last section demonstrates application of the model and causes most questions. Demonstration is based on 3 case studies, all focusing on global companies and US stock market. It would be advisable to discuss earlier in introduction or in the beginning of the chapter if this approach has any biases and if it can (or cannot) serve as basis for broader conclusions (in other words, quality of the model is not usually judged upon 3 trials). Choice of case studies is also questionable, as 2 of them come from specific industry (pharmaceutics), thus results might be biased.*

*In the final discussion of model output, success of the merger is judged upon stock price performance right after the merger and in the coming 1.5 years. Considering industry specifics (pharma business, for example, is highly dependent on certain specific breaks-through and is characterised by very unpredictable and long-term investment cycle) as well as all kind of events (both micro- and macroeconomic) that cause stock price to fluctuate during 1.5 years, it seems questionable to judge upon merger synergies based on stock price only.*

*All of the above could be amended by a detailed list of assumptions and more developed Further analysis section, however absence of the above doesn't violate integrity of the model or impair quality of the*

*approach. Excel-based “Synergy calculator” adds a lot to practical implementation of the model and deserves separate appreciation.*

*The layout meets requirements of the Regulations for master thesis preparation and defense, text is well structured, reader-friendly and clear.*

Master thesis of Andrei Vedernikov meets the requirements of master in Corporate Finance program, and according to the reviewer’s opinion deserves an “excellent” grade (ECTS grade A), thus the author can be given the desired degree.

Date 2<sup>nd</sup> June 2016



Referee:

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